

AMENDED IN SENATE AUGUST 12, 2013

AMENDED IN SENATE JUNE 14, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1381

Introduced by Committee on Public Employees, Retirement and Social Security (Bonta (Chair), Jones-Sawyer, Mullin, Rendon, and Wieckowski)

February 26, 2013

An act to amend Sections 22115, 22119.2, 22134.5, 22135, 22148, 22327, 22664, 22826, 22901, 22901.3, 22905, 22909, 23855, 24202, 24202.5, 24202.6, 24202.7, 24203, 24205, 24206, 24209, 24210, 24214, 24214.5, 24600, 26139, 26503.5, 26504, 26800, 26810, 26812, and 26813 of, to add Sections 22109.8, 22146.2, 22160.5, 24252, 26132.5, 26135.5, 26135.7, and 26139.5 to, and to repeal and add Section 22119.3 of, the Education Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 1381, as amended, Committee on Public Employees, Retirement and Social Security. State Teachers' Retirement Law: pension reform.

Existing law, the Teachers' Retirement Law, establishes the Defined Benefit Program of the State Teachers' Retirement Plan, which provides a defined benefit to members of the program. The defined benefit is based on final compensation, credited service, and age at retirement, subject to certain variations. The State Teachers' Retirement System (STRS) is administered by the Teachers' Retirement Board. Existing law establishes the Defined Benefit Supplement Program, which provides supplemental retirement, disability, and other benefits, payable either in a lump-sum payment, an annuity, or both to members of the

State Teachers' Retirement Plan. Existing law establishes a program commonly referred to as the Replacement Benefits Program to provide benefit payments to members of STRS whose benefits exceed specified federal limits. Existing law establishes the Cash Balance Benefit Program, administered by the Teachers' Retirement Board, as a separate benefit program within the State Teachers' Retirement Plan in order to provide a retirement plan for persons employed to perform creditable service for less than 50% of full-time service.

The California Public Employees' Pension Reform Act of 2013 (PEPRA), on and after January 1, 2013, generally requires a public retirement system, as defined, to modify its plan or plans to comply with the act, as specified. Among other things, PEPRA requires a public retirement system to modify its plan or plans to comply with the act and establishes new retirement formulas that a public employer offering a defined benefit pension plan may not exceed for new employees. PEPRA prohibits offering supplemental defined benefit plans for new employees. PEPRA defines pensionable compensation for the purposes of its provisions and requires new employees of specified public employers who participate in a defined benefit plan to have an initial contribution rate of at least 50% of the normal cost rate for that defined benefit plan, rounded to the nearest $\frac{1}{4}$ of 1%, or the current contribution rate of similarly situated employees, whichever is greater. PEPRA generally prohibits a retired person who retires from a public employer from serving, being employed by, or being employed through a contract directly by, a public employer in the same retirement system from which the retiree receives a pension benefit without reinstatement, subject to certain exceptions and limitations. The act prohibits reemployment of a retiree pursuant to these provisions for a period of 180 days following the date of retirement unless he or she falls within certain exceptions to the prohibition.

This bill would make various changes in the Teachers' Retirement Law to conform with the provisions of PEPRA. The bill would revise the definition of creditable compensation and salary, and specify exclusions from the definition of creditable compensation and salary, for purposes of the Defined Benefit Program and the Cash Balance Benefit Program, as specified. The bill would define a member subject to PEPRA and would except from that definition a member who is also a member in certain other retirement systems, prior to January 1, 2013, as specified. The bill would revise provisions prescribing the amounts that members are required to contribute to the retirement fund for the

Defined Benefit Program, and that participants in the Cash Balance Benefit Program contribute, to reflect the requirements of PEPRA. The bill would provide, consistent with provisions of PEPRA, that the normal retirement age is 62 years of age for a new member of, or a participant in, these systems, with respect to various provisions of the programs, including those related to survivors' benefits, retirement for service following reinstatement, and performance of post-retirement service. The bill would add new limitations on compensation that may be paid to a member of the Defined Benefit Program or a participant in the Cash Balance Benefit Program performing post-retirement activities, as defined. The bill would prohibit application of the Replacement Benefits Program to employees subject to PEPRA. The bill would define a participant in the Cash Balance Benefit Program who is subject to PEPRA to account for concurrent membership in that program and other public retirement systems. The bill would prescribe new requirements applicable to participants in the Cash Balance Benefit Program who perform retired participant activities, including requirements imposed on governing bodies seeking to employ these participants. The bill would make additional conforming and technical changes.

The bill would also revise provisions that permit the use of a one-year period for the calculation of final compensation for members who are not subject to PEPRA, subject to negotiation by a teacher employer and an exclusive classroom teacher representative, to require that a written agreement addressing this subject be entered into prior to January 1, 2014. The bill would prohibit an employer from paying member contributions for defined benefits for employees who are not subject to PEPRA on or after January 1, 2014, as specified. The bill would provide that compensation for postretirement activities that are not supported by state, local, or federal funds is not subject to postretirement earnings limitations. The bill would apply postretirement compensation limitations to employer payments for, among other things, deferred compensation plans, the purchase of annuities, and payments to various tax qualified retirement plans.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares that this act, as it applies to the State Teachers' Retirement Plan, clarifies the California Public Employees' Pension Reform Act of 2013, is declaratory of existing law, and is intended to apply concurrently with the initial operation of that act. The amendments made by this act, *excluding those amendments made in Sections 4, 12, 29, 30, 31, and 37*, shall be deemed to be operative January 1, 2013, unless otherwise stated.

SEC. 2. Section 22109.8 is added to the Education Code, to read:

22109.8. "California Public Employees' Pension Reform Act of 2013" means the California Public Employees' Pension Reform Act of 2013 (Article 4 (commencing with Section 7522) of Chapter 21 of Division 7 of Title 1 of the Government Code).

SEC. 3. Section 22115 of the Education Code is amended to read:

22115. (a) "Compensation earnable" means the creditable compensation a person could earn in a school year for creditable service performed on a full-time basis, excluding service for which contributions are credited by the system to the Defined Benefit Supplement Program.

(b) The board may determine compensation earnable for persons employed on a part-time basis.

(c) If service credit for a school year is less than 1.000, compensation earnable shall be the quotient obtained when creditable compensation paid in that year is divided by the service credit for that year, except as provided in subdivision (d).

(d) If a member earns creditable compensation at multiple pay rates during a school year and service credit at the highest pay rate is at least 0.900 of a year, compensation earnable shall be determined as if all service credit for that year had been earned at the highest pay rate. This subdivision shall be applicable only for purposes of determining final compensation. If a member earns creditable compensation at multiple pay rates during a school year and service credit at the highest pay rate is less than 0.900 of a year, compensation earnable shall be determined pursuant to subdivision (c).

1 (e) (1) Except as provided in subdivision (f), for purposes of
2 determining compensation earnable for a member employed by a
3 community college prior to July 1, 1996, full time shall be defined
4 pursuant to Section 22138.5 and pursuant to Section 20521 of Title
5 5 of the California Code of Regulations, as those provisions read
6 on June 30, 1996, if application of that definition will increase the
7 compensation earnable or otherwise enhance the benefits of the
8 member.

9 (2) For purposes of administering this subdivision, the board
10 shall have the authority to do both of the following:

11 (A) Establish and implement factors and assumptions necessary
12 to calculate and compare the benefits payable under the definition
13 of compensation earnable described in this subdivision. Those
14 factors and assumptions may be based on information reported by
15 the employer, including, but not limited to, all of the following:

16 (i) Base hours.

17 (ii) Actual earnings.

18 (iii) Compensation earnable.

19 (B) Review member benefit calculations that were performed
20 using the factors and assumptions described in subparagraph (A).
21 If the board determines that an employer failed to identify part-time
22 service performed, the board shall consider that part-time service
23 to be performed in a part-time lecture assignment as defined by
24 the employer. If the board determines by the review of the member
25 benefit calculations that the required information reported by the
26 employer is inaccurate, incomplete, or the factors and assumptions
27 were applied incorrectly, the board may recalculate member
28 benefits using additional factors and assumptions that may include,
29 but are not limited to, all of the following:

30 (i) Base hours.

31 (ii) Actual earnings.

32 (iii) Compensation earnable.

33 (3) This subdivision shall apply to a member employed by a
34 community college prior to July 1, 1996, if the community college
35 subsequently acts to reduce the minimum standard for full time as
36 described in subdivision (c) of Section 22138.5 for the class of
37 employees, and that community college provides written notice
38 to the system of the act of the community college to reduce that
39 minimum standard.

1 (4) This subdivision shall not apply to a member employed by
2 a community college that has not reduced the minimum standard
3 as described in subdivision (c) of Section 22138.5.

4 (f) Subdivision (e) shall not apply to a member subject to the
5 California Public Employees' Pension Reform Act of 2013.

6 SEC. 4. Section 22119.2 of the Education Code is amended to
7 read:

8 22119.2. (a) "Creditable compensation" means remuneration
9 that is paid in cash by an employer to all persons in the same class
10 of employees ~~and is paid to an employee~~ for performing creditable
11 service in that position. Creditable compensation shall include:

12 (1) Salary or wages paid in accordance with *a publicly available*
13 *written contractual agreement, including, but not limited to, a*
14 *salary schedule; or employment agreement; or any other publicly*
15 ~~available written contractual agreement that specifies~~
16 ~~compensation.~~

17 (2) Remuneration that is paid in addition to salary or wages,
18 provided it is paid to all persons who are in the same class of
19 employees in the same dollar amount, the same percentage of
20 salary or wages, or the same percentage of the amount being
21 distributed.

22 (3) Remuneration that is paid for the use of sick leave, vacation,
23 and other employer-approved leave, except as provided in
24 paragraph (4) of subdivision (c).

25 (4) Member contributions that are picked up by an employer
26 pursuant to Section 22903 or 22904.

27 (5) Amounts that are deducted from a member's ~~salary or wages~~
28 *remuneration*, including, but not limited to, deductions for
29 participation in a deferred compensation plan; deductions to
30 purchase an annuity contract, tax-deferred retirement plan, or
31 insurance program; and contributions to a plan that meets the
32 requirements of Section 125, 401(a), 401(k), 403(b), 457(b), or
33 457(f) of Title 26 of the United States Code.

34 (6) Any other payments the board determines to be "creditable
35 compensation."

36 (b) Any creditable compensation determined by the ~~board~~ *system*
37 to have been paid to enhance a member's benefits shall not be
38 credited under the Defined Benefit Program. Contributions on that
39 compensation shall be credited to the Defined Benefit Supplement
40 Program. A presumption by the ~~board~~ *system* that creditable

1 compensation was paid to enhance a member's benefits may be
2 rebutted by the member or by the employer on behalf of the
3 member. Upon receipt of sufficient evidence to the contrary, a
4 presumption by the ~~board~~ *system* that creditable compensation
5 was paid to enhance the member's benefits may be reversed.

6 (c) "Creditable compensation" does not mean and shall not
7 include:

8 (1) Remuneration that is not paid in cash or is not paid to all
9 persons who are in the same class of employees.

10 (2) Remuneration that is paid for service that is not creditable
11 service pursuant to Section 22119.5.

12 (3) Remuneration that is paid in addition to salary or wages if
13 it is not paid to all persons in the same class of employees in the
14 same dollar amount, the same percentage of salary or wages, or
15 the same percentage of the amount being distributed pursuant to
16 paragraph (2) of subdivision (a).

17 (4) Remuneration that is paid in exchange for the ~~forfeiture~~
18 *relinquishment* of unused accumulated leave.

19 (5) ~~Annuity contracts, Payments, including, but not limited to,~~
20 *those for participation in a deferred compensation plan; to*
21 *purchase an annuity contract, tax-deferred retirement plans plan,*
22 *or insurance programs program; and for contributions to plans*
23 *that meet a plan that meets* the requirements of Section 125, 401(a),
24 401(k), 403(b), 457(b), or 457(f) of Title 26 of the United States
25 Code when the cost is covered by an employer *and is not deducted*
26 *from the member's salary.*

27 (6) Fringe benefits provided by an employer.

28 (7) Expenses paid or reimbursed by an employer.

29 (8) Severance pay, including lump-sum and installment
30 payments, or money paid in excess of salary or wages to a member
31 as compensatory damages or as a compromise settlement.

32 (9) Any other payments the board determines not to be
33 "creditable compensation."

34 (d) An employer or individual who knowingly or willfully
35 reports compensation in a manner inconsistent with subdivision
36 (a) or (c) may be subject to prosecution for fraud, theft, or
37 embezzlement in accordance with the Penal Code. The system
38 may establish procedures to ensure that compensation reported by
39 an employer is in compliance with this section.

(e) For purposes of this section, remuneration shall be considered paid if it ~~would be~~ distributed to any person in the same class of employees who meets the qualifications or requirements specified in a *publicly available written contractual agreement, including, but not limited to*, a collective bargaining agreement; ~~or an employment agreement, or any other publicly available written contractual agreement that specified compensation~~ as a condition of receiving the remuneration.

(f) This definition of “creditable compensation” reflects sound principles that support the integrity of the retirement fund. Those principles include, but are not limited to, consistent treatment of compensation throughout a member’s career, consistent treatment of compensation among an entire class of employees, consistent treatment of compensation for ~~a~~ *the* position, preventing adverse selection, and excluding from compensation earnable remuneration that is paid to enhance a member’s benefits. The ~~board~~ *system* shall determine the appropriate crediting of contributions between the Defined Benefit Program and the Defined Benefit Supplement Program according to these principles, to the extent not otherwise specified pursuant to this part.

(g) The section shall become operative on July 1, 2002; ~~if the revenue limit cost-of-living adjustment computed by the Superintendent of Public Instruction for the 2001–02 fiscal year is equal to or greater than 3.5 percent. Otherwise this section shall become operative on July 1, 2003.~~

(h) This section shall not apply to a member subject to the California Public Employees’ Pension Reform Act of 2013.

SEC. 5. Section 22119.3 of the Education Code is repealed.

SEC. 6. Section 22119.3 is added to the Education Code, to read:

22119.3. (a) “Creditable compensation” for members who are subject to the California Public Employees’ Pension Reform Act of 2013 means regular, recurring remuneration that is paid in cash by an employer to all persons in the same class of employees in accordance with *a publicly available written contractual agreement, including, but not limited to*, a salary schedule; ~~or employment agreement, or any other publicly available written contractual agreement that specifies compensation and is paid to an employee~~ for performing creditable service in that position. Creditable compensation shall include:

1 (1) Remuneration that is paid for the use of sick leave, vacation,
2 and other employer-approved leave, except as provided in
3 paragraph (4) of subdivision (b).

4 (2) Member contributions that are picked up by an employer
5 pursuant to Section 22903 or 22904.

6 (3) Amounts that are deducted from a member's ~~salary or wages~~
7 *remuneration*, including, but not limited to, deductions for
8 participation in a deferred compensation plan; deductions to
9 purchase an annuity contract, tax-deferred retirement plan, or
10 insurance program; and contributions to a plan that meets the
11 requirements of Section 125, 401(a), 401(k), 403(b), 457(b), or
12 457(f) of Title 26 of the United States Code.

13 (4) Notwithstanding paragraph (11) of subdivision (b),
14 remuneration that is paid to achieve compensation parity between
15 part-time and full-time faculty of California Community Colleges
16 for similar work, as funded pursuant to the Budget Act.

17 (5) Notwithstanding paragraph (11) of subdivision (b),
18 remuneration that is paid based on the allocation of funds from
19 the California State Lottery Education Fund pursuant to Section
20 8880.5 of the Government Code.

21 (6) Notwithstanding paragraph (11) of subdivision (b),
22 remuneration that is paid when the number of students in the
23 classroom exceeds the contractual amount.

24 (7) Notwithstanding paragraphs (6) and (8) of subdivision (c)
25 of Section 7522.34 of the Government Code, remuneration that is
26 paid for creditable service that exceeds one year in a school year.

27 (b) "Creditable compensation" does not mean and shall not
28 include:

29 (1) Remuneration that is not paid in cash or is not paid to all
30 persons who are in the same class of employees.

31 (2) Remuneration that is paid for service that is not creditable
32 service pursuant to Section 22119.5.

33 (3) Remuneration that is paid in addition to salary or wages.

34 (4) Remuneration that is paid in exchange for the ~~forfeiture~~
35 *relinquishment* of unused accumulated leave.

36 (5) ~~Annuity contracts~~, *Payments, including, but not limited to,*
37 *those for participation in a deferred compensation plan; to*
38 *purchase an annuity contract, tax-deferred retirement plans plan,*
39 *or insurance programs program; and for contributions to plans*
40 *that meet a plan that meets the requirements of Section 125, 401(a),*

- 1 401(k), 403(b), 457(b), or 457(f) of Title 26 of the United States
2 Code when the cost is covered by an employer.
- 3 (6) Fringe benefits provided by an employer.
- 4 (7) Expenses paid or reimbursed by an employer.
- 5 (8) Severance pay, including lump-sum and installment
6 payments, or money paid in excess of salary or wages to a member
7 as compensatory damages or as a compromise settlement.
- 8 (9) Creditable compensation determined by the ~~board~~ system
9 to have been paid to enhance a member's benefit.
- 10 (10) Compensation paid to the member in lieu of benefits
11 provided to the member by the employer or paid directly by the
12 employer to a third party other than the ~~retirement~~ system for the
13 benefit of the member.
- 14 (11) Any one-time or ad hoc payments made to a member.
- 15 (12) Any employer-provided allowance, reimbursement, or
16 payment, including, but not limited to, one made for housing,
17 vehicle, or uniform.
- 18 (13) Any bonus paid in addition to compensation described in
19 subdivision (a).
- 20 (14) Any other payments the board determines not to be
21 "creditable compensation."
- 22 (c) (1) Except for purposes of calculating credited service in
23 the Defined Benefit Program and for reporting compensation
24 earnable on or after January 1, 2013, creditable compensation in
25 any fiscal year shall not ~~exceed~~ *exceed*:
- 26 (A) *One hundred twenty* percent of the "contribution and benefit
27 base," as determined under Section 430(b) of the Social Security
28 Act (42 U.S.C. Sec. 430(b)), on January 1, 2013, *for a member*
29 *whose service is not included in the federal system*.
- 30 (B) *One hundred percent of the "contribution and benefit base,"*
31 *as determined under Section 430(b) of the Social Security Act (42*
32 *U.S.C. Sec. 430(b)), on January 1, 2013, for a member whose*
33 *service is included in the federal system pursuant to any changes*
34 *in state or federal law enacted on or after January 1, 2013.*
- 35 (2) The ~~board~~ system shall adjust the limit in paragraph (1) based
36 on *the annual* changes to the Consumer Price Index for All Urban
37 Consumers, *calculated by dividing the Consumer Price Index for*
38 *All Urban Consumers for the month of February in the fiscal year*
39 *preceding the adjustment by the Consumer Price Index for All*
40 *Urban Consumers for the month of February of the previous year*

rounded to the nearest thousandth. Notwithstanding paragraph (1) of subdivision (d) of Section 7522.10 of the Government Code, the adjustment shall be effective annually on July 1, beginning July 1, 2014.

(3) The Legislature reserves the right to modify the requirements of this subdivision with regard to all members subject to this subdivision, except that the Legislature may not modify these provisions in a manner that would result in a decrease in benefits accrued prior to the effective date of the modification.

(4) This subdivision shall apply to compensation paid during the 2013–14 fiscal year and each fiscal year thereafter.

(d) An employer or individual who knowingly or willfully reports compensation in a manner inconsistent with subdivision (a) or (b) may be subject to prosecution for fraud, theft, or embezzlement in accordance with the Penal Code. The system may establish procedures to ensure that compensation reported by an employer is in compliance with this section.

(e) For purposes of this section, remuneration shall be considered paid if ~~it would be~~ distributed to any person in the same class of employees who meets the qualifications or requirements specified in a publicly available written contractual agreement, including, but not limited to, a collective bargaining agreement; or an employment agreement, ~~or any other publicly available written contractual agreement that specifies compensation~~ as a condition of receiving the remuneration.

(f) This definition of “creditable compensation” reflects sound principles that support the integrity of the retirement fund. Those principles include, but are not limited to, consistent treatment of compensation throughout a member’s career, consistent treatment of compensation among an entire class of employees, consistent treatment of compensation for the position, preventing adverse selection, and excluding from creditable compensation remuneration that is paid to enhance a member’s benefits. The ~~board~~ system shall determine the appropriate crediting of contributions according to these principles, to the extent not otherwise specified pursuant to this part. A presumption by the ~~board~~ system that creditable compensation was paid to enhance the member’s benefits may be rebutted by the member or by the employer on behalf of the member. Upon receipt of sufficient evidence to the contrary, a presumption by the ~~board~~ system that

1 creditable compensation was paid to enhance the member's benefits
2 may be reversed.

3 SEC. 7. Section 22134.5 of the Education Code is amended to
4 read:

5 22134.5. (a) Notwithstanding Section 22134, "final
6 compensation" means the highest average annual compensation
7 earnable by a member during any period of 12 consecutive months
8 while an active member of the Defined Benefit Program or time
9 during which he or she was not a member but for which the
10 member has received credit under the Defined Benefit Program,
11 except time that was so credited for service performed outside this
12 state prior to July 1, 1944.

13 (b) For purposes of this section, periods of service separated by
14 breaks in service may be aggregated to constitute a period of 12
15 consecutive months, if the periods of service are consecutive except
16 for the breaks.

17 (c) The determination of final compensation of a member who
18 has concurrent membership in any other retirement system pursuant
19 to Section 22115.2 shall take into consideration the compensation
20 earnable while a member of any other system, provided that both
21 of the following exist:

22 (1) Service under any other system was not performed during
23 the same pay period with service under the Defined Benefit
24 Program.

25 (2) Retirement under the Defined Benefit Program is concurrent
26 with the member's retirement under any other system.

27 (d) If a member has received service credit for part-time service
28 performed prior to July 1, 1956, the member's final compensation
29 shall be adjusted for that service in excess of one year by the ratio
30 that part-time service bears to full-time service.

31 (e) The board may specify a different final compensation with
32 respect to disability allowances, disability retirement allowances,
33 family allowances, and children's portions of survivor benefit
34 allowances payable on and after January 1, 1978. The compensation
35 earnable for periods of part-time service shall be adjusted by the
36 ratio that part-time service bears to full-time service.

37 (f) This section shall apply to the following:

38 (1) A member who has 25 or more years of credited service,
39 excluding service credited pursuant to the following:

40 (A) Section 22714.

1 (B) Section 22715.

2 (C) Section 22717, except as provided in subdivision (b) of
3 Section 22121.

4 (D) Section 22826.

5 (2) A nonmember spouse, if the member had 25 or more years
6 of credited service, as calculated in paragraph (1), on the date the
7 parties separated, as established in the judgment or court order
8 pursuant to Section 22652.

9 (3) This section shall not apply to a member subject to the
10 California Public Employees' Pension Reform Act of 2013.

11 SEC. 8. Section 22135 of the Education Code is amended to
12 read:

13 22135. (a) Notwithstanding subdivisions (a) and (b) of Section
14 22134, "final compensation" means the highest average annual
15 compensation earnable by an active member who is a classroom
16 teacher not subject to the California Public Employees' Pension
17 Reform Act of 2013 and who retires, becomes disabled, or dies,
18 after June 30, 1990, during any period of 12 consecutive months
19 during his or her membership in the plan's Defined Benefit
20 Program.

21 (b) Section 22134, except subdivision (a) of that section, shall
22 apply to classroom teachers who retire after June 30, 1990, and
23 any statutory reference to Section 22134 or "final compensation"
24 with respect to a classroom teacher who retires, becomes disabled,
25 or dies, after June 30, 1990, shall be deemed to be a reference to
26 this section.

27 (c) As used in this section, "classroom teacher" means any of
28 the following:

29 (1) All teachers and substitute teachers in positions requiring
30 certification qualifications who spend, during the last 10 years of
31 their employment with the same employer which immediately
32 precedes their retirement, 60 percent or more of their contract time
33 each year providing direct instruction. For the purpose of
34 determining continuity of employment within the meaning of this
35 subdivision, an authorized leave of absence for sabbatical or illness
36 or other collectively bargained or employer-approved leaves shall
37 not constitute a break in service.

38 (2) Other certificated personnel who spend, during the last 10
39 years of their employment with the same employer that
40 immediately precedes their retirement, 60 percent or more of their

1 contract time each year providing direct services to pupils,
2 including, but not limited to, librarians, counselors, nurses, speech
3 therapists, resource specialists, audiologists, audiometrists,
4 hygienists, optometrists, psychologists, driver safety instructors,
5 and personnel on special assignment to perform school attendance
6 and adjustment services.

7 (d) As used in this section, “classroom teacher” does not include
8 any of the following:

9 (1) Certificated employees whose job descriptions require an
10 administrative credential.

11 (2) Certificated employees whose job descriptions include
12 responsibility for supervision of certificated staff.

13 (3) Certificated employees who serve as advisers, coordinators,
14 consultants, or developers or planners of curricula, instructional
15 materials, or programs, who spend, during the last 10 years of their
16 employment with the same employer that immediately precedes
17 their retirement, less than 60 percent of their contract time in direct
18 instruction.

19 (4) Certificated employees whose job descriptions require
20 provision of direct instruction or services, but who are functioning
21 in nonteaching assignments.

22 (5) Classified employees.

23 (e) This section shall apply only to teachers employed by an
24 employer that has, pursuant to Chapter 10.7 (commencing with
25 Section 3540) of Division 4 of Title 1 of the Government Code,
26 entered into, extended, renewed, or amended a written agreement
27 with an exclusive representative, prior to January 1, 2014, that
28 makes this section applicable to all of its classroom teachers, as
29 defined in subdivision (c).

30 (f) The written agreement shall include a mechanism to pay for
31 all increases in allowances provided for by this section through
32 employer contributions or employee contributions or both, which
33 shall be collected and retained by the employer in a trust fund to
34 be used solely and exclusively to pay the system for all increases
35 in allowances provided by this section and related administrative
36 costs; and a mechanism for disposition of the employee’s
37 contributions if employment is terminated before retirement, and
38 for the establishment of a trust fund board. The trust fund board
39 shall administer the trust fund and shall be composed of an equal
40 number of members representing classroom teachers chosen by

1 the bargaining agent and the employer. If the employer agrees to
2 pay the total cost of increases in allowances, the establishment of
3 a trust fund and a trust fund board shall be optional to the employer.
4 The employer, within 30 days of receiving an invoice from the
5 system, shall reimburse the retirement fund the amount determined
6 by the Teachers' Retirement Board to be the actuarial equivalent
7 of the difference between the allowance the member or beneficiary
8 receives pursuant to this section and the allowance the member or
9 beneficiary would have received if the member's final
10 compensation had been computed under Section 22134 and the
11 proportionate share of the cost to the plan's Defined Benefit
12 Program, as determined by the Teachers' Retirement Board, of
13 administering this section. The payment shall include the cost of
14 all increases in allowances provided for by this section for all years
15 of service credited to the member as of the benefit effective date.
16 Interest shall be charged at the regular interest rate for any payment
17 not received within 30 days of receipt of the invoice. Payments
18 not received within 30 days after receipt of the invoice may be
19 collected pursuant to Section 23007.

20 (g) Upon the execution of the agreement, the employer shall
21 notify all certificated employees of the agreement and any
22 certificated employee of the employer, who is a member of the
23 Public Employees' Retirement System pursuant to Section 22508,
24 that he or she may, within 60 days following the date of
25 notification, elect to terminate his or her membership in the Public
26 Employees' Retirement System and become a member of this
27 plan's Defined Benefit Program. However, only service credited
28 under the Defined Benefit Program subsequent to the date of that
29 election shall be subject to this section.

30 (h) An employer that agrees to become subject to this section,
31 shall, on a form and within the timeframes prescribed by the
32 system, certify the applicability of this section to a member
33 pursuant to the criteria set forth in this section when a retirement,
34 disability, or family allowance becomes payable.

35 (i) For a nonmember spouse, final compensation shall be
36 determined pursuant to paragraph (5) of subdivision (c) of Section
37 22664. The employer, within 30 days of receiving an invoice from
38 the system, shall reimburse the retirement fund pursuant to
39 subdivision (f). Interest shall be charged at the regular interest rate
40 for payments not received within the prescribed timeframe.

1 Payments not received within 30 days of invoicing may be
2 collected pursuant to Section 23007.

3 SEC. 9. Section 22146.2 is added to the Education Code, to
4 read:

5 22146.2. (a) Notwithstanding subdivision (f) of Section
6 7522.04 of the Government Code, “member subject to the
7 California Public Employees’ Pension Reform Act of 2013” means
8 a person who first becomes employed to perform creditable service
9 subject to coverage under the Defined Benefit Program on or after
10 January 1, 2013.

11 (b) A member as defined in subdivision (a) does not include a
12 person who was a member on or before December 31, 2012, of
13 the California Public Employees’ Retirement System, the
14 Legislators’ Retirement System, the University of California
15 Retirement System, a county retirement system established under
16 Chapter 3 (commencing with Section 31450) of Part 3 of Division
17 4 of Title 3 of the Government Code, or the San Francisco
18 Employees’ Retirement ~~System~~ *System*, and the person performed
19 service in the other retirement system within the six months prior
20 to the commencement of creditable service under the Defined
21 Benefit Program.

22 (c) This section shall be deemed to have become operative on
23 January 1, 2013.

24 SEC. 10. Section 22148 of the Education Code is amended to
25 read:

26 22148. “Normal retirement” and “normal retirement age” mean
27 60 years of age, or 62 years of age for a member subject to the
28 California Public Employees’ Pension Reform Act of 2013, which
29 is the age upon attainment of which the member becomes eligible
30 under the Defined Benefit Program for a service retirement
31 allowance without reduction because of age and without special
32 qualifications.

33 SEC. 11. Section 22160.5 is added to the Education Code, to
34 read:

35 22160.5. “Public employer” means a public employer as
36 defined in subdivision (i) of Section 7522.04 of the Government
37 Code.

38 SEC. 12. Section 22327 of the Education Code is amended to
39 read:

1 22327. Notwithstanding any other provision of law, the
2 Employment Development Department shall disclose to the system
3 information in its possession relating to the earnings of any person
4 who is a member of the Defined Benefit Program, if the member
5 is receiving a disability benefit or performing retired member
6 activities. The earnings information shall be released to the system
7 only upon written request from the system specifying that the
8 person is a member of the Defined Benefit Program and is
9 receiving a disability benefit or performing retired member
10 activities. The system shall use the information obtained pursuant
11 to this section only for purposes of Chapter 25 (commencing with
12 Section 24001), Chapter 26 (commencing with the Section 24100),
13 Section 24214, or Section 24214.5. The request may be made by
14 the chief executive officer of the system or by an employee of the
15 system so authorized and identified by name and title by the chief
16 executive officer in writing. The system shall notify members
17 receiving a disability benefit or performing retired member
18 activities that earnings information shall be obtained from the
19 Employment Development Department upon request by the system.
20 The system shall not release any earnings information received
21 from the Employment Development Department to any person,
22 agency, or other entity. The system shall reimburse the
23 Employment Development Department for all reasonable
24 administrative expenses incurred pursuant to this section.

25 SEC. 13. Section 22664 of the Education Code is amended to
26 read:

27 22664. The nonmember spouse who is awarded a separate
28 account shall have the right to a service retirement allowance and,
29 if applicable, a retirement benefit under this part.

30 (a) The nonmember spouse shall be eligible to retire for service
31 under this part if the following conditions are satisfied:

32 (1) The member had at least five years of credited service during
33 the period of marriage, at least one year of which had been
34 performed subsequent to the most recent refund to the member of
35 accumulated retirement contributions. The credited service may
36 include service credited to the account of the member as of the
37 date of the dissolution or legal separation, previously refunded
38 service, out-of-state service, and permissive service credit that the
39 member is eligible to purchase at the time of the dissolution or
40 legal separation.

(2) The nonmember spouse has at least 2½ years of credited service in his or her separate account.

(3) The nonmember spouse has attained 55 years of age or more.

(b) A service retirement allowance of a nonmember spouse under this part shall become effective upon a date designated by the nonmember spouse, provided:

(1) The requirements of subdivision (a) are satisfied.

(2) The nonmember spouse has filed an application for service retirement on a properly executed form provided by the system, that is executed no earlier than six months before the effective date of the retirement allowance.

(3) The effective date is no earlier than the first day of the month that the application is received at the system's headquarters office as described in Section 22375, and the effective date is after the date the judgment or court order pursuant to Section 22652 was entered.

(c) (1) Upon service retirement at normal retirement age under this part, the nonmember spouse shall receive a retirement allowance that shall consist of an annual allowance payable in monthly installments equal to 2 percent of final compensation for each year of credited service.

(2) If the nonmember spouse's retirement is effective at less than normal retirement age and between early retirement age under this part and normal retirement age, the retirement allowance shall be reduced by one-half of 1 percent for each full month, or fraction of a month, that will elapse until the nonmember spouse would have reached normal retirement age.

(3) If the nonmember spouse's service retirement is effective at an age greater than normal retirement age and is effective on or after January 1, 1999, the percentage of final compensation for each year of credited service shall be determined pursuant to the following table:

Age at Retirement	Percentage
60¼	2.033
60½	2.067
60¾	2.10
61	2.133
61¼	2.167
61½	2.20

1	61¾	2.233
2	62	2.267
3	62¼	2.30
4	62½	2.333
5	62¾	2.367
6	63 and over	2.40

7

8 (4) In computing the retirement allowance of the nonmember
9 spouse, the age of the nonmember spouse on the last day of the
10 month that the retirement allowance begins to accrue shall be used.

11 (5) Final compensation, for purposes of calculating the service
12 retirement allowance of the nonmember spouse under this
13 subdivision, shall be calculated according to the definition of final
14 compensation in Section 22134, 22134.5, 22135, or 22136,
15 whichever is applicable, and shall be based on the member's
16 compensation earnable up to the date the parties separated, as
17 established in the judgment or court order pursuant to Section
18 22652. The nonmember spouse shall not be entitled to use any
19 other calculation of final compensation.

20 (d) Upon service retirement under this part, the nonmember
21 spouse shall receive a retirement benefit based on an amount equal
22 to the balance of credits in the nonmember spouse's Defined
23 Benefit Supplement account on the date the retirement benefit
24 becomes payable.

25 (1) A retirement benefit shall be a lump-sum payment, or an
26 annuity payable in monthly installments, or a combination of both
27 a lump-sum payment and an annuity, as elected by the nonmember
28 spouse on the application for a retirement benefit. A retirement
29 benefit paid as an annuity under this chapter shall be subject to
30 Sections 22660, 25011, and 25011.1.

31 (2) Upon distribution of the entire retirement benefit in a
32 lump-sum payment, no other benefit shall be payable to the
33 nonmember spouse or the nonmember spouse's beneficiary under
34 the Defined Benefit Supplement Program.

35 (e) If the member is or was receiving a disability allowance
36 under this part with an effective date before or on the date the
37 parties separated as established in the judgment or court order
38 pursuant to Section 22652, or at any time applies for and receives
39 a disability allowance with an effective date that is before or
40 coincides with the date the parties separated as established in the

1 judgment or court order pursuant to Section 22652, the nonmember
2 spouse shall not be eligible to retire until after the disability
3 allowance of the member terminates. If the member who is or was
4 receiving a disability allowance returns to employment to perform
5 creditable service subject to coverage under the Defined Benefit
6 Program or has his or her allowance terminated under Section
7 24015, the nonmember spouse may not be paid a retirement
8 allowance until at least six months after termination of the disability
9 allowance and the return of the member to employment to perform
10 creditable service subject to coverage under the Defined Benefit
11 Program, or the termination of the disability allowance and the
12 employment or self-employment of the member in any capacity,
13 notwithstanding Section 22132. If at the end of the six-month
14 period, the member has not had a recurrence of the original
15 disability or has not had his or her earnings fall below the amounts
16 described in Section 24015, the nonmember spouse may be paid
17 a retirement allowance if all other eligibility requirements are met.

18 (1) The retirement allowance of the nonmember spouse under
19 this subdivision shall be calculated as follows: the disability
20 allowance the member was receiving, exclusive of the portion for
21 dependent children, shall be divided between the share of the
22 member and the share of the nonmember spouse. The share of the
23 nonmember spouse shall be the amount obtained by multiplying
24 the disability allowance, exclusive of the portion for dependent
25 children, by the years of service credited to the separate account
26 of the nonmember spouse, including service projected to the date
27 of separation, and dividing by the projected service of the member.
28 The nonmember spouse's retirement allowance shall be the lesser
29 of the share of the nonmember spouse under this subdivision or
30 the retirement allowance under subdivision (c).

31 (2) The share of the member shall be the total disability
32 allowance reduced by the share of the nonmember spouse. The
33 share of the member shall be considered the disability allowance
34 of the member for purposes of Section 24213.

35 (f) The nonmember spouse who receives a retirement allowance
36 is not a retired member under this part. However, the allowance
37 of the nonmember spouse shall be increased by application of the
38 improvement factor and shall be eligible for the application of
39 supplemental increases and other benefit maintenance provisions
40 under this part, including, but not limited to, Sections 24412 and

1 24415 based on the same criteria used for the application of these
2 benefit maintenance increases to the service retirement allowances
3 of members.

4 (g) Paragraphs (1) through (3), inclusive, of subdivision (c) shall
5 not apply to a nonmember spouse of a member subject to the
6 California Public Employees' Pension Reform Act of 2013. For a
7 person who is a nonmember spouse of a member subject to the
8 California Public Employees' Pension Reform Act of 2013 and is
9 awarded a separate account, the retirement allowance shall equal
10 the percentage of final compensation for each year of credited
11 service that is equal to the percentage specified in Section 24202.6
12 based on the age of the nonmember spouse on the effective date
13 of the allowance.

14 SEC. 14. Section 22826 of the Education Code is amended to
15 read:

16 22826. (a) A member, other than a retired member, may
17 request to purchase up to five years of nonqualified service credit
18 provided the member is vested in the Defined Benefit Program as
19 provided in Section 22156.

20 (b) A member who requests to purchase nonqualified service
21 credit as provided in this chapter shall contribute to the retirement
22 fund the actuarial cost of the service, including interest as
23 appropriate, as determined by the board based on the most recent
24 valuation of the plan with respect to the Defined Benefit Program
25 in effect on the date of the request, in accordance with subdivisions
26 (a), (f), (g), and (h) of Section 22801.

27 (c) This section shall apply only to an application to purchase
28 nonqualified service credit on a properly executed form provided
29 by the system and received at the system's headquarters office, as
30 established pursuant to Section 22375, prior to January 1, 2013,
31 that is subsequently approved by the system.

32 SEC. 15. Section 22901 of the Education Code is amended to
33 read:

34 22901. (a) Each member of the Defined Benefit Program shall
35 contribute to the retirement fund an amount equivalent to 8 percent
36 of the member's creditable compensation, unless he or she is a
37 member subject to the California Public Employees' Pension
38 Reform Act of 2013.

39 (b) Each member subject to the California Public Employees'
40 Pension Reform Act of 2013 shall contribute to the retirement fund

1 an amount equivalent to the percentage of the member's creditable
2 compensation calculated as follows:

3 (1) An initial percentage equal to 50 percent of the normal cost
4 rate of benefits applicable to members subject to the California
5 Public Employees' Pension Reform Act of 2013, rounded to the
6 nearest quarter of 1 percent. *The normal cost rate shall be adopted*
7 *by the board.*

8 (2) Notwithstanding paragraph (1), once established, the
9 percentage described in paragraph (1) shall not be adjusted on
10 account of a change to the normal cost rate, *as adopted by the*
11 *board*, unless the normal cost rate increases or decreases by more
12 than 1 percent of payroll above or below the normal cost rate in
13 effect at the time the percentage is first established or, if later, the
14 normal cost rate in effect at the time of the last adjustment.

15 (3) *Notwithstanding subdivision (e) of Section 7522.30 of the*
16 *Government Code, this subdivision shall not be subject to the*
17 *collective bargaining process.*

18 (c) Notwithstanding Section 22905, any member contributions
19 for service performed during the 2010–11 school year with a
20 service period ending after December 31, 2010, shall be credited
21 pursuant to subdivision (a).

22 SEC. 16. Section 22901.3 of the Education Code is amended
23 to read:

24 22901.3. (a) Notwithstanding Section 22901, except as
25 provided in subdivision (c), the contribution rate for a "state
26 employee," as defined in subdivision (c) of Section 3513 of the
27 Government Code, who is a member of the Defined Benefit
28 Program, may be established by a memorandum of understanding
29 reached pursuant to Section 3517.5 of the Government Code. The
30 memorandum of understanding shall be controlling without further
31 legislative action, except that if the provisions of the memorandum
32 of understanding require the expenditure of funds, the provisions
33 may not become effective unless approved by the Legislature in
34 the annual Budget Act.

35 (b) Except as provided in subdivision (c), the Director of Human
36 Resources may establish the contribution rate for a state employee
37 who is a member of the Defined Benefit Program who is excepted
38 from the definition of "state employee" in subdivision (c) of
39 Section 3513 of the Government Code, and an officer or employee
40 of the executive branch of state government who is not a member

1 of the civil service. The contribution rate shall be the same for all
2 members identified in this subdivision. The contribution rate shall
3 be effective the beginning of the pay period indicated by the
4 Director of Human Resources but shall be no earlier than the
5 beginning of the pay period following the date the system receives
6 notification.

7 (c) Notwithstanding any other provision of law, ~~thenormal the~~
8 contribution rate for members subject to the California Public
9 Employees' Pension Reform Act of 2013 who are state employees
10 is subject to the provisions of subdivision (e) of Section 7522.30
11 of the Government Code.

12 SEC. 17. Section 22905 of the Education Code is amended to
13 read:

14 22905. (a) Member contributions pursuant to Section 22901,
15 employer contributions pursuant to Section 22903 or 22904, and
16 member contributions made by an employer pursuant to Section
17 22909 shall be credited to the member's individual account under
18 the Defined Benefit Program or the Defined Benefit Supplement
19 Program, whichever is applicable pursuant to the provisions of
20 this part.

21 (b) Except as provided in subdivision (f), member and employer
22 contributions, exclusive of contributions pursuant to Section 22951,
23 on a member's compensation under the following circumstances
24 shall be credited to the member's Defined Benefit Supplement
25 account:

26 (1) Compensation for creditable service that exceeds one year
27 in a school year.

28 (2) Compensation that is consistent with subdivision (b) of
29 Section 22119.2.

30 (3) Compensation that is paid for a limited number of times as
31 specified by law, a collective bargaining agreement, or an
32 employment agreement.

33 (c) A member may not make voluntary pretax or posttax
34 contributions under the Defined Benefit Supplement Program,
35 except as provided in subdivision (d), nor may a member redeposit
36 amounts previously distributed based on the balance in the
37 member's Defined Benefit Supplement account.

38 (d) Member and employer contributions pursuant to paragraph
39 (1) of subdivision (b) under the Defined Benefit Supplement
40 Program shall be credited to the accounts of members as of July

1 each year following a determination by the system under the provisions of this part that those contributions should be credited to the Defined Benefit Supplement Program. Any other contributions under the Defined Benefit Supplement Program pursuant to paragraph (2) or (3) of subdivision (b), shall be credited to the individual account of the member upon receipt by the system. Contributions to a member's Defined Benefit Supplement account shall be identified separately from the member's contributions credited under the Defined Benefit Program.

(e) The provisions of this section shall become operative on July 1, 2002, if the revenue limit cost-of-living adjustment computed by the Superintendent of Public Instruction for the 2001–02 fiscal year is equal to or greater than 3.5 percent. Otherwise this section shall become operative on July 1, 2003.

(f) Paragraphs (2) and (3) of subdivision (b) shall not apply to a member subject to the California Public Employees' Pension Reform Act of 2013.

SEC. 18. Section 22909 of the Education Code is amended to read:

22909. (a) Notwithstanding Sections 22901, 22956, and 23000, an employer may pay all or a portion of the contributions required to be paid by a member of the Defined Benefit Program. Where the member is included in a group or class of employment in which no members are subject to the California Public Employees' Pension Reform Act of 2013, the payment shall be for all members in the group or class of employment. The payments shall be credited to member accounts pursuant to Section 22905. The employer shall report contributions to the system as if the member and the employer were paying the contributions in accordance with this part, notwithstanding this section. For purposes of this chapter, the member's contributions shall be considered to be the percentage of the member's creditable compensation that would have been paid pursuant to this chapter, notwithstanding this section. Notwithstanding Section 22119.2, contributions paid pursuant to this section may not be included in creditable compensation.

(b) Nothing in this section shall be construed to limit the authority of an employer to periodically increase, reduce, or eliminate the payment by the employer of all or a portion of the

1 contributions required to be paid by members of the Defined
2 Benefit Program, as authorized by this section.

3 (c) This section shall only apply to an employer that is picking
4 up members' contributions pursuant to Section 22903 or 22904.

5 (d) As of January 1, 2013, this section shall not apply if the
6 group or class of employment includes members who are subject
7 to the Public Employees' Pension Reform Act of ~~2013~~ 2013. If
8 the terms of a written agreement with an exclusive representative
9 that is in effect on January 1, 2013, would be impaired by this
10 subdivision, this subdivision shall not apply to the employer and
11 members subject to that written agreement until the expiration of
12 that written agreement. A renewal, amendment, or any other
13 extension of that written agreement shall be subject to the
14 requirements of this subdivision.

15 (e) As of January 1, 2014, this section shall not apply if the
16 group or class of employment does not include members who are
17 subject to the Public Employees' Pension Reform Act 2013. If the
18 terms of a written agreement with an exclusive representative that
19 is in effect on January 1, 2014, would be impaired by this
20 subdivision, this subdivision shall not apply to the employer and
21 members subject to that written agreement until the expiration of
22 that written agreement. A renewal, amendment, or any other
23 extension of that written agreement shall be subject to the
24 requirements of this subdivision.

25 SEC. 19. Section 23855 of the Education Code is amended to
26 read:

27 23855. (a) The survivor benefit allowance is a monthly
28 allowance equal to one-half of the modified retirement allowance
29 the member would have received at normal retirement age, if the
30 member had retired and elected Option 3 pursuant to Section
31 24300, as that section read on December 31, 2006, naming the
32 spouse as the option beneficiary.

33 (b) The allowance payable under this subdivision shall be based
34 on the member's actual service credit and final compensation as
35 of the date of his or her death, the retirement factor at normal
36 retirement age, and the member's and spouse's ages as of the date
37 the member would have attained normal retirement age. If the
38 member's death occurs after he or she attains normal retirement
39 age, his or her actual final compensation, the retirement factor at
40 normal retirement age, and the member's and spouse's ages as of

1 the date of the member's death shall be used in the allowance
2 calculation.

3 (c) The allowance calculation shall include service credit for
4 the unused sick leave that had accrued to the member as of the
5 date of his or her death. Eligibility for the inclusion of unused sick
6 leave service credit and the calculation of that service credit shall
7 be determined pursuant to Section 22717.

8 (d) (1) The allowance calculation shall not include either of the
9 following:

10 (A) The increase in the percentage of final compensation
11 pursuant to Section 24203.5.

12 (B) The increase of the monthly allowance pursuant to Section
13 24203.6.

14 (2) The amendments to this section made by the act adding this
15 paragraph do not constitute a change in, but are declaratory of,
16 existing law.

17 (e) The surviving spouse may elect to begin receiving the
18 survivor benefit allowance immediately as of the date of the
19 member's death or to defer receipt of the allowance to the date the
20 member would have attained normal retirement age. If allowance
21 payments to the surviving spouse commence prior to the date the
22 member would have attained normal retirement age, the allowance
23 payable shall be actuarially reduced.

24 (f) If the spouse elects, pursuant to Section 23852, to receive
25 the survivor benefit allowance, an additional 10 percent of final
26 compensation shall be payable for each dependent child who is
27 under 21 years of age, up to a maximum of 50 percent of final
28 compensation. The child's portion shall begin to accrue on the day
29 following the member's date of death and shall be payable even
30 if the spouse elects to postpone receipt of the spouse's survivor
31 benefit allowance until the date the member would have attained
32 normal retirement age.

33 (g) If there is no surviving spouse, an allowance in an amount
34 equal to 10 percent of the deceased member's final compensation
35 shall be paid to each dependent child who is under 21 years of age,
36 up to a maximum of 50 percent of final compensation. If there are
37 more than five dependent children, they shall receive allowances
38 in equal shares of the 50 percent of final compensation. A child's
39 portion of the survivor benefit allowance shall begin to accrue on
40 the day following the member's date of death.

1 SEC. 20. Section 24202 of the Education Code is amended to
2 read:

3 24202. (a) A member who retires for service after June 30,
4 1972, shall receive a retirement allowance consisting of both of
5 the following:

6 (1) An annual allowance payable in monthly installments, upon
7 retirement at normal retirement age but less than age $60\frac{1}{4}$, equal
8 to 2 percent of the final compensation for each year of credited
9 service. If the member's retirement is effective at less than normal
10 retirement age and between early retirement age and normal
11 retirement age, the member's allowance shall be reduced by
12 one-half of 1 percent for each full month, or fraction of a month
13 that will elapse until the member will attain normal retirement age.

14 (2) An annuity that shall be the actuarial equivalent of the
15 accumulated annuity deposit contributions standing to the credit
16 of the member's account at the time of retirement.

17 (b) In computing the amounts described in subdivision (a), the
18 age of the member on the last day of the month in which the
19 retirement allowance begins to accrue or such later date as provided
20 in Section 24204 shall be used.

21 (c) The amendments to this section during the 1997–98 Regular
22 Session of the Legislature shall not apply to state employees.

23 (d) This section shall not apply to a member subject to the
24 California Public Employees' Pension Reform Act of 2013.

25 SEC. 21. Section 24202.5 of the Education Code is amended
26 to read:

27 24202.5. (a) A member who retires for service on or after
28 January 1, 1999, shall receive a retirement allowance consisting
29 of all of the following:

30 (1) An annual allowance payable in monthly installments, upon
31 retirement equal to the percentage of the final compensation set
32 forth opposite the member's age at retirement in the following
33 table multiplied by each year of credited service:
34
35
36
37
38
39
40

	Age at Retirement	Percentage
1		
2	60	2.00
3	60¼	2.033
4	60½	2.067
5	60¾	2.10
6	61	2.133
7	61¼	2.167
8	61½	2.20
9	61¾	2.233
10	62	2.267
11	62¼	2.30
12	62½	2.333
13	62¾	2.367
14	63 and over	2.40

15
16 If the member's retirement is effective at less than normal
17 retirement age and between early retirement age and normal
18 retirement age, the member's allowance shall be reduced by
19 one-half of 1 percent for each full month, or fraction of a month
20 that will elapse until the member will attain normal retirement age.

21 (2) An annuity that shall be the actuarial equivalent of the
22 member's accumulated annuity deposit contributions at the time
23 of retirement.

24 (3) An annuity based on the balance of credits in the member's
25 Defined Benefit Supplement account, pursuant to Section 25012,
26 if elected by the member pursuant to Section 25011 or 25011.1.

27 (b) In computing the amounts described in paragraph (1) of
28 subdivision (a), the age of the member on the last day of the month
29 in which the retirement allowance begins to accrue or the later
30 date as described in Section 24204 shall be used.

31 (c) This section shall not apply to a member subject to the
32 California Public Employees' Pension Reform Act of 2013.

33 SEC. 22. Section 24202.6 of the Education Code is amended
34 to read:

35 24202.6. (a) A member subject to the California Public
36 Employees' Pension Reform Act of 2013 shall receive a retirement
37 allowance consisting of all of the following:

38 (1) An annual allowance payable in monthly installments upon
39 retirement equal to the percentage of the final compensation set

forth opposite the member's age at retirement in the following table multiplied by each year of credited service:

Age at Retirement	Percentage
62.....	2.000
62 $\frac{1}{4}$	2.033
62 $\frac{1}{2}$	2.067
62 $\frac{3}{4}$	2.100
63.....	2.133
63 $\frac{1}{4}$	2.167
63 $\frac{1}{2}$	2.200
63 $\frac{3}{4}$	2.233
64.....	2.267
64 $\frac{1}{4}$	2.300
64 $\frac{1}{2}$	2.333
64 $\frac{3}{4}$	2.367
65.....	2.400

(2) If a member retires after attaining early retirement age but before attaining normal retirement age, the member's allowance shall be reduced by one-half of 1 percent for each full month, or fraction of a month, that will elapse until the member will attain normal retirement age.

(b) In computing the amounts described in paragraph (1) of subdivision (a), the age of the member on the last day of the month in which the retirement allowance begins to be payable or the later date as described in Section 24204 shall be used.

(c) Creditable compensation used to calculate the defined benefit shall be limited as described in Section 22119.3.

SEC. 23. Section 24202.7 of the Education Code is amended to read:

24202.7. Notwithstanding any other provision of this part, for a member subject to the California Public Employees' Pension Reform Act of 2013, the minimum retirement age shall be 55 years of age, the early retirement age shall be 55 years of age, and the normal retirement age shall be 62 years of age.

SEC. 24. Section 24203 of the Education Code is amended to read:

24203. (a) A member who has 30 years of credited service under this part may retire at age 50 years or older and receive an

1 annual allowance equal to 2 percent of final compensation for each
2 year of credited service. If the member has attained age 50 years,
3 but has not attained early retirement age, the allowance shall be
4 reduced by one-quarter of 1 percent for each full month or fraction
5 of a month that will elapse until the member will attain early
6 retirement age and one-half of 1 percent for each full month, or
7 fraction of a month between early retirement age and normal
8 retirement age.

9 (b) In computing the amounts described in subdivision (a), the
10 age of the member on the last day of the month in which the
11 retirement allowance begins to accrue or any later date provided
12 in Section 24204 shall be used.

13 (c) This section shall not apply to a member subject to the
14 California Public Employees' Pension Reform Act of 2013.

15 SEC. 25. Section 24205 of the Education Code is amended to
16 read:

17 24205. A member retiring prior to 60 years of age, and who
18 has attained 55 years of age, may elect to receive one-half of the
19 service retirement allowance for normal retirement age for a limited
20 time and then revert to the full retirement allowance for normal
21 retirement age.

22 (a) The retirement allowance shall be based on service credit
23 and final compensation as of the date of retirement for service and
24 shall be calculated with the factor for normal retirement age.

25 (b) If the member elects a joint and survivor option under
26 Section 24300 or 24300.1, the actuarial reduction shall be based
27 on the member's and beneficiary's ages as of the effective date of
28 the early retirement. If the member elected a preretirement option
29 under Section 24307, the actuarial reduction shall be based on the
30 member's and beneficiary's ages as determined by the provisions
31 of that section.

32 (c) One-half of the retirement allowance as of 60 years of age
33 shall be paid for a period of time equal to twice the elapsed time
34 between the effective date of retirement and the date of the retired
35 member's 60th birthday.

36 (d) The full retirement allowance as calculated under subdivision
37 (a) or (b) shall begin to accrue as of the first of the month following
38 the reduction period as specified in subdivision (c). The full
39 retirement allowance shall not begin to accrue prior to this time

1 under any circumstances, including, but not limited to, divorce or
2 death of the named beneficiary.

3 (e) The annual improvement factor provided for in Sections
4 22140 and 22141 shall be based upon the retirement allowance as
5 calculated under subdivision (a) or (b). The improvement factor
6 shall begin to accrue on September 1 following the retired
7 member's 60th birthday. These increases shall be accumulated
8 and shall become payable when the full retirement allowance for
9 normal retirement age first becomes payable.

10 (f) Any ad hoc benefit increase with an effective date prior to
11 the retired member's 60th birthday shall not affect an allowance
12 payable under this section. Only those ad hoc improvements with
13 effective dates on or after the retired member's 60th birthday shall
14 be accrued and accumulated and shall first become payable when
15 the full retirement allowance for normal retirement age becomes
16 payable.

17 (g) The cancellation of an option election in accordance with
18 Section 24305 shall not cancel the election under this section.
19 Upon cancellation of the joint and survivor option, one-half of the
20 retired member's retirement allowance as calculated under
21 subdivision (a) shall become payable for the balance of the
22 reduction period specified in subdivision (c).

23 (h) If a retired member who has elected a joint and survivor
24 option dies during the period when the reduced allowance is
25 payable, the beneficiary shall receive one-half of the allowance
26 payable to the beneficiary until the date when the retired member
27 would have received the full retirement allowance for normal
28 retirement age. At that time, the beneficiary's allowance shall be
29 increased to the full amount payable to the beneficiary plus the
30 appropriate annual improvement factor increases and ad hoc
31 increases.

32 (i) This section shall not apply to a member who retires for
33 service pursuant to Section 24201.5, 24209, 24209.3, 24210,
34 24211, or 24212.

35 (j) This section shall not apply to a member subject to the
36 California Public Employees' Pension Reform Act of 2013.

37 SEC. 26. Section 24206 of the Education Code is amended to
38 read:

39 24206. The minimum unmodified allowance for service
40 retirement under the Defined Benefit Program, exclusive of

1 annuities payable from accumulated annuity deposit contributions
2 and exclusive of the balance of credits in the member's Defined
3 Benefit Supplement account, shall not be less than ten dollars (\$10)
4 per month multiplied by the member's years of credited service.
5 This guaranteed amount shall be reduced by the amount of an
6 unmodified allowance payable from a local system based on service
7 credited under the Defined Benefit Program. If the retirement is
8 effective at less than normal retirement age this allowance shall
9 be reduced by one-half of 1 percent for each full month or fraction
10 of a month that will elapse until the member would have reached
11 normal retirement age.

12 SEC. 27. Section 24209 of the Education Code is amended to
13 read:

14 24209. (a) Upon retirement for service following reinstatement,
15 the member shall receive a service retirement allowance equal to
16 the sum of both of the following:

17 (1) An amount equal to the monthly allowance the member was
18 eligible to receive immediately preceding reinstatement, exclusive
19 of any amounts payable pursuant to Section 22714 or 22715,
20 increased by the improvement factor that would have been applied
21 to the allowance if the member had not reinstated.

22 (2) An amount calculated pursuant to Section 24202, 24202.5,
23 24202.6, 24203, 24203.5, or 24206 on service credited subsequent
24 to the most recent reinstatement, the member's age at retirement,
25 and final compensation.

26 (b) If the total amount of credited service, other than that accrued
27 pursuant to Sections 22714, 22715, 22717, 22717.5, and 22826,
28 is equal to or greater than 30 years, the amounts identified in
29 paragraphs (1), for members who initially retired on or after
30 January 1, 1999, and (2) of subdivision (a) shall be calculated
31 pursuant to Section 24203.5.

32 (c) If the total amount of credited service, other than that accrued
33 pursuant to Sections 22714, 22715, 22717, 22717.5, and 22826,
34 is equal to or greater than 30 years, upon retirement for service
35 following reinstatement, a member who retired pursuant to Section
36 24213, and received the terminated disability allowance for the
37 prior retirement, shall receive a service retirement allowance equal
38 to the sum of the following:

39 (1) An amount based on the service credit accrued prior to the
40 effective date of the disability allowance, the member's age at the

1 prior retirement increased by the factor provided in Section
2 24203.5, and projected final compensation.

3 (2) An amount calculated pursuant to Section 24202, 24202.5,
4 24202.6, 24203.5, or 24206 on service credited subsequent to the
5 reinstatement, the member's age at retirement, and final
6 compensation.

7 (d) For purposes of this section, final compensation shall not
8 be based on a determination of compensation earnable as described
9 in subdivision (e) of Section 22115.

10 SEC. 28. Section 24210 of the Education Code is amended to
11 read:

12 24210. Upon retirement for service following a prior disability
13 retirement granted pursuant to Chapter 26 (commencing with
14 Section 24100) that was terminated, the member shall receive a
15 service retirement allowance calculated pursuant to Section 24202,
16 24202.5, 24202.6, 24203, 24203.5, or 24206 and equal to the sum
17 of both of the following:

18 (a) An amount based on service credit accrued prior to the
19 effective date of the disability retirement, the member's age as of
20 the effective date of the service retirement, and indexed final
21 compensation to the effective date of the service retirement.

22 (b) An amount based on the service credit accrued after
23 termination of the disability retirement, the member's age as of
24 the effective date of service retirement, and final compensation.

25 SEC. 29. Section 24214 of the Education Code, as amended
26 by Section 6 of Chapter 296 of the Statutes of 2012, is amended
27 to read:

28 24214. (a) A member retired for service under this part may
29 perform retired member activities, but the member shall not make
30 contributions to the retirement fund or accrue service credit based
31 on compensation earned from that service. The employer shall
32 maintain accurate records of the earnings of the retired member
33 and report those earnings monthly to the system and retired member
34 as described in Section 22461.

35 (b) If a member is retired for service under this part, the
36 annualized rate of pay for retired member activities, performed by
37 that member shall not be less than the minimum, nor exceed the
38 maximum, paid by the employer to other employees performing
39 comparable duties.

1 (c) A member retired for service under this part shall not be
2 required to reinstate for performing retired member activities.

3 (d) A member retired for service under this part may earn
4 compensation for performing retired member activities in any one
5 school year up to the limitation specified in subdivision (f) without
6 a reduction in his or her retirement allowance.

7 (e) The postretirement compensation limitation provisions set
8 forth in this section are not applicable to compensation earned for
9 the performance of retired member activities that are not wholly
10 or in part supported by state, local, or federal funds.

11 (f) (1) The limitation that shall apply to the compensation paid
12 in cash to the retired member for performance of retired member
13 activities, excluding reimbursements paid by an employer for
14 expenses incurred by the member, in which payment of the
15 expenses by the member is substantiated, shall, in any one school
16 year, be an amount calculated by the system each July 1 equal to
17 one-half of the median final compensation of all members who
18 retired for service during the fiscal year ending in the previous
19 calendar year.

20 (2) The limitation in paragraph (1) shall also apply to payments,
21 including, but not limited to, those for participation in a deferred
22 compensation plan; to purchase an annuity contract, tax-deferred
23 retirement plan, or insurance program; and for contributions to a
24 plan that meets the requirements of Section 125, 401(a), 401(k),
25 403(b), 457(b), or 457(f) of Title 26 of the United States Code
26 when the cost is covered by an employer.

27 (g) If a member retired for service under this part earns
28 compensation for performing retired member activities, in excess
29 of the limitation specified in subdivision (f), and if that
30 compensation is not exempt from that limitation under subdivision
31 (e) or (h) or any other law, the member's retirement allowance
32 shall be reduced by the amount of the excess compensation. The
33 amount of the reduction may be equal to the monthly allowance
34 payable but shall not exceed the amount of the annual allowance
35 payable under this part for the fiscal year in which the excess
36 compensation was earned after any reduction made in accordance
37 with subdivision (h) of Section 24214.5.

38 (h) The limitation specified in this section is not applicable to
39 compensation paid to a member retired for service under this part
40 who has returned to work after the date of retirement:

1 (1) As a trustee appointed by the Superintendent of Public
2 Instruction pursuant to Section 41320.1.

3 (2) As a fiscal adviser or fiscal expert appointed by a county
4 superintendent of schools pursuant to Article 2 (commencing with
5 Section 42122) of Chapter 6 of Part 24 of Division 3 of Title 2.

6 (3) As a receiver or trustee appointed by the State Board of
7 Education pursuant to Article 3.1 (commencing with Section
8 52055.57) of Chapter 6.1 of Part 28 of Division 4 of Title 2.

9 (4) As a special trustee appointed by the Board of Governors
10 of the California Community Colleges pursuant to Section 84040.

11 (i) The Superintendent of Public Instruction, the Executive
12 Director of the State Board of Education, the Chancellor of the
13 California Community Colleges, or the county superintendent of
14 schools exercising the exemption pursuant to subdivision (h) shall
15 submit all documentation required by the system to substantiate
16 the eligibility of the retired member for the exemption, including
17 compliance with subdivisions (j) and (k). The documentation shall
18 be received by the system prior to the retired member's
19 performance of retired member activities.

20 (j) Subdivision (h) shall not apply to a retired member who has
21 not attained normal retirement age at the time the compensation
22 is earned by the member, received additional service credit pursuant
23 to Section 22714 or 22715, or received from any public employer
24 any financial inducement to retire in the previous six months. For
25 purposes of this section and Section 24214.5, "financial inducement
26 to retire" includes, but is not limited to, any form of compensation
27 or other payment that is paid directly or indirectly by a public
28 employer to the member, even if not in cash, either before or after
29 retirement, if the member retires for service on or before a specific
30 date or specific range of dates established by the public employer
31 on or before the date the inducement is offered. The system shall
32 liberally interpret this subdivision to further the Legislature's intent
33 to make subdivision (h) inapplicable to members if the member
34 received a financial incentive from any public employer to retire
35 or otherwise terminate employment with the public employer.

36 (k) The documentation required for subdivision (i) shall include
37 certification of the following:

38 (1) The position was first advertised for appointment to current
39 active or inactive members of the program with the necessary
40 qualifications to perform the requirements of the position and no

1 qualified current active or inactive member was available to be
2 appointed.

3 (2) The appointing authority made a good faith effort to hire a
4 retired member who reinstated to active membership for the
5 position at the same salary that was offered as first advertised
6 pursuant to paragraph (1).

7 (3) The appointing authority, having tried and failed to hire a
8 current active or inactive member or a reinstated retired member,
9 hired a retired member and the salary offered to the retired member
10 subject to this paragraph does not exceed the salary that was offered
11 as first advertised pursuant to paragraph (1).

12 (4) The salary paid shall be no greater than the salary offered
13 to current active members for the appointed position.

14 (l) The amendments to this section enacted during the 1995–96
15 Regular Session shall be deemed to have become operative on July
16 1, 1996.

17 (m) This section shall apply to compensation paid during the
18 2012–13 and 2013–14 fiscal years.

19 (n) This section shall become inoperative on July 1, 2014, and,
20 as of January 1, 2015, is repealed, unless a later enacted statute,
21 that becomes operative on or before January 1, 2015, deletes or
22 extends the dates on which it becomes inoperative and is repealed.

23 SEC. 30. Section 24214 of the Education Code, as amended
24 by Section 7 of Chapter 296 of the Statutes of 2012, is amended
25 to read:

26 24214. (a) A member retired for service under this part may
27 perform retired member activities, but the member shall not make
28 contributions to the retirement fund or accrue service credit based
29 on compensation earned from that service. The employer shall
30 maintain accurate records of the earnings of the retired member
31 and report those earnings monthly to the system and retired member
32 as described in Section 22461.

33 (b) If a member is retired for service under this part, the
34 annualized rate of pay for retired member activities performed by
35 that member shall not be less than the minimum, nor exceed the
36 maximum, paid by the employer to other employees performing
37 comparable duties.

38 (c) A member retired for service under this part shall not be
39 required to reinstate for performing retired member activities.

1 (d) A member retired for service under this part may earn
2 compensation for performing retired member activities in any one
3 school year up to the limitation specified in subdivision (f) without
4 a reduction in his or her retirement allowance.

5 (e) The postretirement compensation limitation provisions set
6 forth in this section are not applicable to compensation earned for
7 the performance of retired member activities that are not wholly
8 or in part supported by state, local, or federal funds.

9 (f) (1) The limitation that shall apply to the compensation paid
10 in cash to the retired member for performance of retired member
11 activities, excluding reimbursements paid by an employer for
12 expenses incurred by the member, in which payment of the
13 expenses by the member is substantiated, shall, in any one school
14 year, be an amount calculated by the system each July 1 equal to
15 one-half of the median final compensation of all members who
16 retired for service during the fiscal year ending in the previous
17 calendar year.

18 (2) The limitation in paragraph (1) shall also apply to payments,
19 including, but not limited to, those for participation in a deferred
20 compensation plan; to purchase an annuity contract, tax-deferred
21 retirement plan, or insurance program; and for contributions to a
22 plan that meets the requirements of Section 125, 401(a), 401(k),
23 403(b), 457(b), or 457(f) of Title 26 of the United States Code
24 when the cost is covered by an employer.

25 (g) If a member retired for service under this part earns
26 compensation for performing retired member activities, in excess
27 of the limitation specified in subdivision (f), the member's
28 retirement allowance shall be reduced by the amount of the excess
29 compensation. The amount of the reduction may be equal to the
30 monthly allowance payable but may not exceed the amount of the
31 annual allowance payable under this part for the fiscal year in
32 which the excess compensation was earned after any reduction
33 made in accordance with subdivision (h) of Section 24214.5.

34 (h) The language of this section derived from the amendments
35 to the section of this number added by Chapter 394 of the Statutes
36 of 1995, enacted during the 1995–96 Regular Session, is deemed
37 to have become operative on July 1, 1996.

38 (i) This section shall become operative on July 1, 2014.

39 SEC. 31. Section 24214.5 of the Education Code is amended
40 to read:

1 24214.5. (a) (1) Notwithstanding subdivision (f) of Section
2 24214, the postretirement compensation limitation that shall apply
3 to the compensation paid in cash to the retired member for
4 performance of retired member activities, excluding
5 reimbursements paid by an employer for expenses incurred by the
6 member, in which payment of the expenses by the member is
7 substantiated, shall be zero dollars (\$0) during the first 180 calendar
8 days after the most recent retirement of a member retired for service
9 under this part.

10 (2) The limitation in paragraph (1) shall also apply to payments,
11 including, but not limited to, those for participation in a deferred
12 compensation plan; to purchase an annuity contract, tax-deferred
13 retirement plan, or insurance program; and for contributions to a
14 plan that meets the requirements of Section 125, 401(a), 401(k),
15 403(b), 457(b), or 457(f) of Title 26 of the United States Code
16 when the cost is covered by an employer.

17 (b) If the retired member has attained normal retirement age at
18 the time the compensation is earned, subdivision (a) shall not apply
19 and Section 24214 shall apply if the appointment has been
20 approved by the governing body of the employer in a public
21 meeting, as reflected in a resolution adopted by the governing body
22 of the employer prior to the performance of retired member
23 activities, expressing its intent to seek an exemption from the
24 limitation specified in subdivision (a). Approval of the appointment
25 may not be placed on a consent calendar. Notwithstanding any
26 other provision of Article 3.5 (commencing with Section 6250) of
27 Division 7 of Title 1 of the Government Code or any state or
28 federal law incorporated by subdivision (k) of Section 6254 of the
29 Government Code, the resolution shall be subject to disclosure by
30 the entity adopting the resolution and the system. The resolution
31 shall include the following specific information and findings:

32 (1) The nature of the employment.

33 (2) A finding that the appointment is necessary to fill a critically
34 needed position before 180 calendar days have passed.

35 (3) A finding that the member is not ineligible for application
36 of this subdivision pursuant to subdivision (d).

37 (4) A finding that the termination of employment of the retired
38 member with the employer is not the basis for the need to acquire
39 the services of the member.

1 (c) Subdivision (b) shall not apply to a retired member whose
2 termination of employment with the employer is the basis for the
3 need to acquire the services of the member.

4 (d) Subdivision (b) shall not apply if the retired member received
5 additional service credit pursuant to Section 22714 or 22715 or
6 received from any public employer any financial inducement to
7 retire. For purposes of this section, “financial inducement to retire”
8 includes, but is not limited to, any form of compensation or other
9 payment that is paid directly or indirectly by a public employer to
10 the member, even if not in cash, either before or after retirement,
11 if the participant retires for service on or before a specific date or
12 specific range of dates established by a public employer on or
13 before the date the inducement is offered. The system shall liberally
14 interpret this subdivision to further the Legislature’s intent to make
15 subdivision (b) inapplicable to members if the member received
16 a financial incentive from any public employer to retire or
17 otherwise terminate employment with a public employer.

18 (e) The Superintendent, the county superintendent of schools,
19 or the chief executive officer of a community college shall submit
20 all documentation required by the system to substantiate the
21 eligibility of the retired member for application of subdivision (b),
22 including, but not limited to, the resolution adopted pursuant to
23 that subdivision.

24 (f) The documentation required by this section shall be received
25 by the system prior to the retired member’s performance of retired
26 member activities.

27 (g) Within 30 calendar days after the receipt of all
28 documentation required by the system pursuant to this section, the
29 system shall inform the entity seeking application of the exemption
30 specified in subdivision (b), and the retired member whether the
31 compensation paid to the member will be subject to the limitation
32 specified in subdivision (a).

33 (h) If a member retired for service under this part earns
34 compensation for performing retired member activities in excess
35 of the limitation specified in subdivision (a), the member’s
36 retirement allowance shall be reduced by the amount of the excess
37 compensation. The amount of the reduction may be equal to the
38 monthly allowance payable but may not exceed the amount of the
39 allowance payable during the first 180 calendar days, after a
40 member retired for service under this part.

1 SEC. 32. Section 24252 is added to the Education Code, to
2 read:

3 24252. This chapter shall not apply to a member subject to the
4 California Public Employees' Pension Reform Act of 2013.

5 SEC. 33. Section 24600 of the Education Code is amended to
6 read:

7 24600. (a) A retirement allowance under this part begins to
8 accrue on the effective date of the member's retirement and ceases
9 on the earlier of the day of the member's death or the day on which
10 the retirement allowance is terminated for a reason other than the
11 member's death.

12 (b) A retirement allowance payable to an option beneficiary
13 under this part begins to accrue on the day following the day of
14 the retired member's death and ceases on the day of the option
15 beneficiary's death.

16 (c) A disability allowance under this part begins to accrue on
17 the effective date of the member's disability allowance and ceases
18 on the earlier of the day of the member's death or the day on which
19 the disability allowance is terminated for a reason other than the
20 member's death.

21 (d) A family allowance under this part begins to accrue on the
22 day following the day of the member's death and ceases on the
23 day of the event that terminates eligibility for the allowance.

24 (e) A survivor benefit allowance payable to a surviving spouse
25 under this part pursuant to Chapter 23 (commencing with Section
26 23850) begins to accrue on the day the member would have
27 attained normal retirement age or on the day following the day of
28 the member's death, as elected by the surviving spouse, and ceases
29 on the day of the surviving spouse's death.

30 (f) (1) Except as provided in paragraph (2), a child's portion
31 of an allowance under this part begins to accrue on the effective
32 date of that allowance and ceases on the earlier of either the
33 termination of the child's eligibility or the termination of the
34 allowance.

35 (2) A child's portion of a disability retirement allowance under
36 Chapter 26 (commencing with Section 24100) ceases on the earlier
37 of either:

38 (A) The termination date of the child's eligibility.

39 (B) The termination of the allowance for reasons other than
40 death.

1 (g) Supplemental payments issued under this part pursuant to
2 Sections 24412 and 24415 to retired members, disabled members,
3 and beneficiaries shall begin to accrue pursuant to Sections 24412
4 and 24415 and shall cease to accrue as of the termination dates
5 specified in subdivisions (a) to (f), inclusive, of this section.

6 (h) Notwithstanding any other provision of this part or other
7 law, distributions payable under the plan with respect to the
8 Defined Benefit Program and the Defined Benefit Supplement
9 Program shall be made in accordance with applicable provisions
10 of the Internal Revenue Code of 1986 and related regulations. The
11 required beginning date of benefit payments that represent the
12 entire interest of the member in the plan with respect to the Defined
13 Benefit Program and the Defined Benefit Supplement Program
14 shall be either:

15 (1) In the case of a refund of contributions, as described in
16 Chapter 18 (commencing with Section 23100) of this part and
17 distribution of an amount equal to the balance of credits in a
18 member's Defined Benefit Supplement account, as described in
19 Chapter 38 (commencing with Section 25000) of this part, not
20 later than April 1 of the calendar year following the later of (A)
21 the calendar year in which the member attains the age at which
22 the Internal Revenue Code of 1986 requires a distribution of
23 benefits or (B) the calendar year in which the member terminates
24 employment within the meaning of subdivision (i).

25 (2) In the case of a retirement allowance, as defined in Section
26 22166, not later than April 1 of the calendar year following the
27 later of (A) the calendar year in which the member attains the age
28 at which the Internal Revenue Code of 1986 requires a distribution
29 of benefits or (B) the calendar year in which the member terminates
30 employment within the meaning of subdivision (i), to continue
31 over the life of the member or the lives of the member and the
32 member's option beneficiary, or over the life expectancy of the
33 member or the life expectancy of the member and the member's
34 option beneficiary.

35 (i) For purposes of subdivision (h), the phrase "terminates
36 employment" means the later of:

37 (1) The date the member ceases to perform creditable service
38 subject to coverage under this plan.

39 (2) The date the member ceases employment in a position
40 subject to coverage under another public retirement system in this

1 state if the compensation earnable while a member of the other
2 system may be considered in the determination of final
3 compensation pursuant to Section 22134, 22135, or 22136.

4 SEC. 34. Section 26132.5 is added to the Education Code, to
5 read:

6 26132.5. (a) “Participant subject to the California Public
7 Employees’ Pension Reform Act of 2013” means, notwithstanding
8 subdivision (f) of Section 7522.04 of the Government Code, a
9 person who first becomes employed to perform creditable service
10 subject to coverage under the Cash Balance Benefit Program on
11 or after January 1, 2013.

12 (b) A participant as defined in subdivision (a) does not include
13 a person who was a member on or before December 31, 2012, of
14 the California Public Employees’ Retirement System, the
15 Legislators’ Retirement System, the University of California
16 Retirement System, county retirement systems established under
17 Chapter 3 (commencing with Section 31450) of Part 3 of Division
18 4 of Title 3 of the Government Code, or the San Francisco
19 Employees’ Retirement System, and the person performed service
20 in the other retirement system within the six months prior to the
21 commencement of creditable service under the Cash Balance
22 Benefit Program.

23 (c) This section shall be deemed to have become operative on
24 January 1, 2013.

25 SEC. 35. Section 26135.5 is added to the Education Code, to
26 read:

27 26135.5. “Public employer” means a public employer as
28 defined by subdivision (i) of Section 7522.04 of the Government
29 Code.

30 SEC. 36. Section 26135.7 is added to the Education Code, to
31 read:

32 26135.7. (a) “Retired participant activities” means one or more
33 activities identified in subdivision (a) or (b) of Section 22119.5 or
34 (a) or (b) of Section 26113 within the California public school
35 system and performed by a participant retired for service under
36 this part as one of the following:

37 (1) An employee of an employer.

38 (2) An employee of a third party, except as specified in
39 subdivision (b).

40 (3) An independent contractor.

1 (b) The activities of an employee of a third party shall not be
2 included in the definition of “retired participant activities” if all
3 of the following conditions apply:

4 (1) The employee performs an assignment of 24 months or less.

5 (2) The third-party employer does not participate in a California
6 public pension system.

7 (3) The activities performed by the individual are not normally
8 performed by employees of an employer, as defined in Section
9 22131.

10 SEC. 37. Section 26139 of the Education Code is amended to
11 read:

12 26139. (a) “Salary” means remuneration paid in cash by an
13 employer to a participant for creditable service performed in that
14 position subject to coverage under the Cash Balance Benefit
15 Program. Salary shall include:

16 (1) Money paid in accordance with *a publicly available written*
17 *contractual agreement, including, but not limited to, a salary*
18 ~~schedule~~ *schedule*, based on years of training and years of
19 experience as specified in Section 45028 for creditable service
20 performed.

21 (2) For participants not paid according to a salary schedule,
22 money paid for creditable service performed *in accordance with*
23 *a publicly available written contractual agreement, including, but*
24 *not limited to, a collective bargaining agreement or an employment*
25 *agreement.*

26 (3) Money paid for the participant’s absence from performance
27 of creditable service as approved by an employer, except as
28 provided in paragraph (5) of subdivision (b).

29 (4) Employee contributions picked up by an employer under
30 Section 414(h)(2) of Title 26 of the United States Code and Section
31 17501 of the Revenue and Taxation Code.

32 (5) Amounts deducted by an employer from the participant’s
33 salary, including, *but not limited to*, deductions for participation
34 in a deferred compensation plan; deductions for the purchase of
35 ~~an annuity contracts contract~~, tax-deferred retirement ~~plans plan~~,
36 or other insurance ~~programs program~~; and deductions for
37 participation in a plan that meets the requirements of Section 125,
38 401(a), 401(k), 403(b), 457(b), or 457(f) of Title 26 of the United
39 States Code.

(6) Money paid by an employer in addition to salary paid under paragraph (1) or (2) if paid to all employees in a class in the same dollar amount, the same percentage of salary, or the same percentage of the amount being distributed.

(7) Any other payments the board determines by plan amendment to be “salary.”

(b) “Salary” does not mean and shall not include:

(1) Money paid for service that is not creditable service.

(2) Money paid by an employer in addition to salary paid under paragraph (1) or (2) if not paid to all employees in a class in the same dollar amount, the same percentage of salary, or the same percentage of the amount being distributed.

(3) Fringe benefits provided by an employer.

(4) Expenses paid or reimbursed by an employer.

(5) Money paid in exchange for the ~~forfeiture~~ *relinquishment* of unused accumulated leave.

(6) Severance pay, including lump-sum and installment payments, or money paid in excess of salary or wages to a member as compensatory damages or as a compromise settlement.

(7) ~~Annuity contracts; Payments, including, but not limited to, those for participation in a deferred compensation plan; to purchase an annuity contract, tax-deferred retirement programs program, or other insurance programs, including, but not limited to, plans that meet program; and for participation in a plan that~~ meets the requirements of Section 125, 401(a), 401(k), 403(b), 457(b), or 457(f) of Title 26 of the United States Code that are purchased by an employer for a participant.

(8) Any payments determined by the ~~board~~ *system* to have been made by an employer to enhance a participant’s benefits.

(9) Any other payments the board determines by plan amendment not to be “salary.”

(c) Any employer or person who knowingly or willfully reports salary in a manner inconsistent with the provisions of subdivisions (a) or (b) may be subject to prosecution for fraud, theft, or embezzlement in accordance with provisions of the Penal Code. The system may establish procedures to ensure that salary reported by an employer is in compliance with this section.

(d) For purposes of this section, remuneration shall be considered paid if ~~it would be~~ distributed to any person in the same class of employees who meets the qualifications or requirements

1 specified in a *publicly available written contractual agreement*,
2 *including, but not limited to, a collective bargaining agreement*;
3 *or an employment agreement*, ~~or any other publicly available~~
4 ~~written contractual agreement that specifies compensation as a~~
5 condition of receiving the remuneration.

6 (e) This section shall be deemed to have become operative on
7 July 1, 1996.

8 (f) *This section shall not apply to a participant subject to the*
9 *California Public Employees' Pension Reform Act of 2013.*

10 SEC. 38. Section 26139.5 is added to the Education Code, to
11 read:

12 26139.5. (a) "Salary," for participants subject to the California
13 Public Employees' Pension Reform Act of 2013, means regular,
14 recurring remuneration paid in cash by an employer to a participant
15 for creditable service performed in that position subject to coverage
16 under the Cash Balance Benefit Program in accordance with *a*
17 *publicly available written contractual agreement, including, but*
18 *not limited to, a salary schedule; or employment agreement, or*
19 ~~any other publicly available written contractual agreement that~~
20 ~~specifies compensation~~ based on years of training and years of
21 experience as specified in Section 45028. Salary shall include:

22 (1) Money paid for the participant's absence from performance
23 of creditable service as approved by an employer, except as
24 provided in paragraph (5) of subdivision (b).

25 (2) Employee contributions picked up by an employer under
26 Section 414(h)(2) of Title 26 of the United States Code and Section
27 17501 of the Revenue and Taxation Code.

28 (3) Amounts deducted by an employer from the participant's
29 salary, including, *but not limited to*, deductions for participation
30 in a deferred compensation plan; deductions for the purchase of
31 ~~an annuity contracts contract~~, tax-deferred retirement ~~plans plan~~,
32 or other insurance ~~programs program~~; and deductions for
33 participation in a plan that meets the requirements of Section 125,
34 401(a), 401(k), 403(b), 457(b), or 457(f) of Title 26 of the United
35 States Code.

36 (4) Notwithstanding paragraph (10) of subdivision (b),
37 remuneration that is paid to achieve compensation parity between
38 part-time and full-time faculty of California Community Colleges
39 for similar work, as funded pursuant to the Budget Act.

(5) Notwithstanding paragraph (10) of subdivision (b), remuneration that is paid based on the allocation of funds from the California State Lottery Education Fund pursuant to Section 8880.5 of the Government Code.

(6) Notwithstanding paragraph (10) of subdivision (b), remuneration that is paid when the number of students in the classroom exceeds the contractual amount.

(7) Any other payments the board determines by plan amendment to be “salary.”

(b) “Salary” does not mean and shall not include:

(1) Money paid for service that is not creditable service.

(2) Money paid by an employer in addition to salary.

(3) Fringe benefits provided by an employer.

(4) Expenses paid or reimbursed by an employer.

(5) Money paid in exchange for the ~~forfeiture~~ *relinquishment* of unused accumulated leave.

(6) Severance pay, including lump-sum and installment payments, or money paid in excess of salary to a participant as compensatory damages or as a compromise settlement.

(7) ~~Annuity contracts; Payments, including, but not limited to, those for participation in a deferred compensation plan; to purchase an annuity contract, tax-deferred retirement programs program, or other insurance programs, including, but not limited to, plans that meet program; and for participation in a plan that~~ meets the requirements of Section 125, 401(a), 401(k), 403(b), 457(b), or 457(f) of Title 26 of the United States Code that are purchased by an employer for a participant.

(8) Any payments determined by the ~~board~~ *system* to have been made by an employer to enhance a participant’s benefits under the plan.

(9) Money paid to the member in lieu of benefits provided to the participant by the employer or paid directly by the employer to a third party other than the ~~retirement~~ system for the benefit of the participant.

(10) Any one-time or ad hoc payments made to a member.

(11) Any employer-provided allowance, reimbursement, or payment, including, but not limited to, one made for housing, vehicle, or uniform.

(12) Any bonus paid in addition to compensation described in subdivision (a).

1 (13) Any other payments the board determines by plan
2 amendment not to be “salary.”

3 (c) (1) Salary in any fiscal year shall not ~~exceed~~ ~~120~~ exceed:

4 (A) *One hundred twenty percent of the “contribution and benefit*
5 *base,” as determined under Section 430(b) of the Social Security*
6 *Act (42 U.S.C. Sec. 430(b)), on January 1, 2013, for a participant*
7 *whose service is not included in the federal system.*

8 (B) *One hundred percent of the “contribution and benefit base,”*
9 *as determined under Section 430(b) of the Social Security Act (42*
10 *U.S.C. Sec. 430(b)), on January 1, 2013, for a participant whose*
11 *service is included in the federal system pursuant to any changes*
12 *in state or federal law enacted on or after January 1, 2013.*

13 (2) ~~The board~~ system shall adjust the limit in paragraph (1) based
14 *on the annual* changes to the Consumer Price Index for All Urban
15 Consumers, *calculated by dividing the Consumer Price Index for*
16 *All Urban Consumers for the month of February in the fiscal year*
17 *preceding the adjustment by the Consumer Price Index for All*
18 *Urban Consumers for the month of February of the previous year*
19 *rounded to the nearest thousandth.* Notwithstanding paragraph (1)
20 of subdivision (d) of Section 7522.10 of the Government Code,
21 the adjustment shall be effective annually on July 1, beginning
22 July 1, 2014.

23 (3) The Legislature reserves the right to modify the requirements
24 of this subdivision with regard to all members subject to this
25 subdivision, except that the Legislature may not modify these
26 provisions in a manner that would result in a decrease in benefits
27 accrued prior to the effective date of the modification.

28 (d) Any employer or person who knowingly or willfully reports
29 salary in a manner inconsistent with the provisions of subdivisions
30 (a) or (b) may be subject to prosecution for fraud, theft, or
31 embezzlement in accordance with provisions of the Penal Code.
32 The system may establish procedures to ensure that salary reported
33 by an employer is in compliance with this section.

34 (e) For purposes of this section, remuneration shall be considered
35 paid ~~if it would be distributed to any person in the same class of~~
36 ~~employees who meets the qualifications or requirements specified~~
37 ~~in a publicly available written contractual agreement, including,~~
38 ~~but not limited to, a collective bargaining agreement; or an~~
39 ~~employment agreement, or any other publicly available written~~

~~contractual agreement that specifies compensation~~ as a condition of receiving the remuneration.

SEC. 39. Section 26503.5 of the Education Code is amended to read:

26503.5. If a person elects, pursuant to Section 26403, to participate in the Cash Balance Benefit Program, his or her employer shall make contributions, as provided in Section 26503, based on the salary or other compensation paid for trustee service. For a participant subject to the California Public Employees' Pension Reform Act of 2013, other compensation paid for trustee service is subject to the same requirements as "salary" as defined in Section 26139.5.

SEC. 40. Section 26504 of the Education Code is amended to read:

26504. The employer may enter into a collective bargaining agreement to pay a different employer contribution rate and a different employee contribution rate, provided all of the following conditions are met:

(a) The sum of the employee contributions and employer contributions for each participant shall equal or exceed 8 percent of salary.

(b) The employee contribution rate may exceed the employer contribution rate but in no event shall the employer contribution rate be less than 4 percent.

(c) The employee contribution rate shall not be less than the employer contribution rate. If the terms of a collective bargaining agreement that is in effect on January 1, 2014, would be impaired by this subdivision, this subdivision shall not apply to the employer and participants subject to that contract until the expiration of that contract. A renewal, amendment, or any other extension of that contract shall be subject to the requirements of this subdivision.

(d) The employee contribution rate and employer contribution rate shall be the same for each participant employed by the employer.

(e) The employee contribution rate and employer contribution rate shall be in one-quarter percent increments.

(f) The employee contribution rate and employer contribution rate as determined under the collective bargaining agreement shall become effective on the first day of the plan year following notification to the system and shall remain in effect for at least one

1 plan year. However, the employee contribution rate and the
2 employer contribution rate as determined under the collective
3 bargaining agreement may become effective as of the first day of
4 the plan year in which notice is given if it is so provided in the
5 collective bargaining agreement and if a lump-sum contribution
6 is made to the plan equal to the additional employee and employer
7 contributions, if any, that would have been required if the
8 contribution rates had been in effect on the first day of the plan
9 year. Interest shall be credited at the minimum interest rate with
10 respect to the lump-sum contribution commencing with the first
11 month after the contribution is made.

12 (g) The employer has filed notice of the employee contribution
13 rate and the employer contribution rate on a form prescribed by
14 the system.

15 SEC. 41. Section 26800 of the Education Code is amended to
16 read:

17 26800. The normal retirement age for the Cash Balance Benefit
18 Program is 60 years of age, or 62 years of age for a participant
19 subject to the California Public Employees' Pension Reform Act
20 of 2013.

21 SEC. 42. Section 26810 of the Education Code is amended to
22 read:

23 26810. (a) A participant who is employed to perform creditable
24 service subject to coverage by the Cash Balance Benefit Program
25 while receiving an annuity under the program may voluntarily
26 terminate the annuity upon employment and make contributions
27 to the program based on salary paid by the employer for the
28 employment, provided the participant has attained normal
29 retirement age and has been receiving a retirement annuity for at
30 least one year. The participant shall continue to be subject to
31 Section 26808.

32 (b) The participant shall request in writing within 60 days of
33 employment that the annuity be terminated. Termination of the
34 participant's annuity shall become effective on the first day of the
35 month following the month in which verification of the
36 participant's employment is received by the system from the
37 participant's employer.

38 (c) Upon voluntary termination of the annuity, the employee
39 and employer account of the participant shall be credited with
40 respective balances that reflect the actuarial equivalent of the

1 participant's retirement benefit as of the date the participant
2 terminates the annuity and the Annuitant Reserve shall be reduced
3 by the amount of the credits.

4 (d) The portion of the annuity derived from the amounts credited
5 to the employee account and employer account, as of the date the
6 participant terminates the annuity, shall be calculated using the
7 actuarial assumptions in effect on the initial retirement date using
8 the age of the participant and, if the participant elected a joint and
9 survivor option the age of the beneficiary on the current retirement
10 date.

11 (e) Upon election of a subsequent annuity, the credits in the
12 participant's employee account and employer account shall be
13 transferred to the Annuitant Reserve.

14 SEC. 43. Section 26812 of the Education Code is amended to
15 read:

16 26812. (a) A participant retired for service under this part may
17 perform retired participant activities, but the participant shall not
18 make contributions to the plan or accrue service credit under the
19 Defined Benefit Program based on compensation earned from that
20 service. The employer shall maintain accurate records of the
21 earnings of the retired participant and report those earnings monthly
22 to the system and retired participant.

23 (b) If a participant is retired for service under this part, the rate
24 of pay for retired participant activities performed by that participant
25 shall not be less than the minimum, nor exceed the maximum paid
26 by the employer to other employees performing comparable duties.

27 (c) A participant retired for service under this part shall not be
28 required to reinstate for performing retired participant activities.

29 (d) If a participant retired for service under this part on or after
30 January 1, 2014, is receiving an annuity under the Cash Balance
31 Benefit Program, and earns compensation for performing retired
32 participant activities, the participant's annuity shall be reduced by
33 the amount of the compensation. This reduction shall only be made
34 for compensation earned during the first 180 calendar days after
35 a participant retired for service under this part. The amount of the
36 reduction may be equal to the monthly annuity payable but shall
37 not exceed the amount of the annuity payable during the first 180
38 calendar days after a participant retired for service under this part.

39 (e) If the participant has attained normal retirement age at the
40 time the compensation is earned, subdivision (d) shall not apply

1 if the appointment has been approved by the governing body of
2 the employer in a public meeting, as reflected in a resolution
3 adopted by the governing body of the employer prior to the
4 performance of retired participant activities, expressing its intent
5 to seek an exemption from the limitation specified in subdivision
6 (d). Approval of the appointment shall not be placed on a consent
7 calendar. Notwithstanding any other provision of Article 3.5
8 (commencing with Section 6250) of Division 7 of Title 1 of the
9 Government Code or any state or federal law incorporated by
10 subdivision (k) of Section 6254 of the Government Code, the
11 resolution shall be subject to disclosure by the entity adopting the
12 resolution and the system. The resolution shall include the
13 following specific information and findings:

14 (1) The nature of the employment.

15 (2) A finding that the appointment is necessary to fill a critically
16 needed position before 180 calendar days has passed.

17 (3) A finding that the participant is not ineligible for application
18 of this subdivision pursuant to subdivision (g).

19 (4) A finding that the termination of employment of the retired
20 participant with the employer is not the basis for the need to acquire
21 the services of the participant.

22 (f) Subdivision (e) shall not apply to a retired participant whose
23 termination of employment with the employer is the basis for the
24 need to acquire the services of the participant.

25 (g) Subdivision (e) shall not apply if the participant received
26 additional service credit pursuant to Sections 22714 or 22715 or
27 received from any public employer any financial inducement to
28 retire. For purposes of this section, "financial inducement to retire"
29 includes, but is not limited to, any form of compensation or other
30 payment that is paid directly or indirectly by a public employer to
31 the participant, even if not in cash, either before or after retirement,
32 if the participant retires for service on or before a specific date or
33 specific range of dates established by a public employer on or
34 before the date the inducement is offered. The system shall liberally
35 interpret this subdivision to further the Legislature's intent to make
36 subdivision (e) inapplicable to participants if the participant
37 received a financial incentive from any public employer to retire
38 or otherwise terminate employment with a public employer.

39 (h) The superintendent, the county superintendent of ~~schools~~
40 *schools*, or the chief executive officer of a community college

1 shall submit all documentation required by the system to
2 substantiate the eligibility of the retired participant for application
3 of subdivision (e), including, but not limited to, the resolution
4 adopted pursuant to that subdivision.

5 (i) The documentation required by this section shall be received
6 by the system prior to the retired participant's performance of
7 retired participant activities.

8 (j) Within 30 calendar days of the receipt of all documentation
9 required by the system pursuant to this section, the system shall
10 inform the entity seeking application of the exemption specified
11 in subdivision (e) and the retired participant whether the
12 compensation paid to the participant will be subject to the limitation
13 specified in subdivision (d).

14 SEC. 44. Section 26813 of the Education Code is amended to
15 read:

16 26813. A member retired for service under the Defined Benefit
17 Program may perform retired participant activities in any one
18 school year up to the limitation specified in Sections 24214 and
19 24214.5, but the member shall not make contributions to the fund.
20 The employer shall maintain accurate records of the earnings of
21 the retired member and report those earnings monthly to the system
22 and retired member as described in Section 22461.